

**Opening Balance (November 1, 2019): \$500,000**

**Ending Balance (December 31, 2020): \$386,835**

**Performance Since Inception: -22.6%**

There was limited activity in the account this past month; however the actions that were taken have freed up a great deal of margin, which means that we the flexibility to pursue a wide range of opportunities commencing 2021.

On December 7<sup>th</sup>, we sold 40 12 puts on First Horizon Bank (FHN) picking up just over \$2,000 in premium. These puts will expire February 19<sup>th</sup>. FHN was \$13 at the time and at the time of writing it is \$12.87. FHN is a regional bank with most of its operations in the state of Tennessee and we believe that it will not see \$12 in the next 46 days. If it does, we're more than happy to buy it at \$12 because we see fair value in the \$16 – \$18 range.

On December 14<sup>th</sup>, we sold 15 35 puts on Altria Group (MO), picking up \$570 in premium. These puts will expire March 19<sup>th</sup>. MO was \$42 at the time and currently stands at \$41. MO has a rock-solid dividend which means it will be very unlikely it sees \$35 in the next three months.

On December 14<sup>th</sup>, we sold 4 60 calls on Shake Shack (SHAK), picking up \$29 in premium. These calls will expire March 19<sup>th</sup>. SHAK was \$88 at the time and currently stands at \$85. We believe that SHAK will be very lucky to make \$.60 per share in 2021, which means that it is trading at 140 times forward earnings. This strikes us as absurd. I would not personally buy SHAK unless it was trading at \$25 per share. On December 28<sup>th</sup> we increased the position, selling 2 more 60 calls at \$29.

On December 17<sup>th</sup> we closed our long position on Bank of Nova Scotia puts. Over a two month holding period, we more than doubled our money and although we think that BNS still has room to run, the charts suggested that it had plateaued for the time being and it could have been “dead money” for an extended period of time.

On December 17<sup>th</sup>, we sold 80 6 puts on Core Civic (CXW), picking up just under \$1,900 in premium. CXW was \$7.10 at the time. Our annualized return on margin on this position was approximately 150% and we believe that CXW will not see \$6 over the next six weeks. CXW closed December 31<sup>st</sup> at \$6.55.

On December 21<sup>st</sup>, our 10,000 shares of Costamare (CMRE) were called away: 5,000 were called away at \$7 and 5,000 were called away at \$8. Our average sale price was \$7.50 and our average purchase price was \$4.89 which means our ROE exceeded 50% over the 3-month holding period.

On December 21<sup>st</sup>, we sold 10 46 calls on Cisco Systems (CSCO), picking up \$367 in premium.

Below is a summary of our positions and our outlook for each of those securities:

- We are long 100 AT&T (T) 25 calls that will expire in January 2022. We paid \$5.76 for them and are currently valued at \$4.11 each. T closed Thursday at \$28.76. We believe that fair value for T is \$40 which means that they would be worth a minimum of \$15. If we are correct, this would be a huge win for the portfolio.
- We are short 15 Altria Group (MO) 35 puts that will expire in March. MO closed Thursday at 41. We expect that MO will not see 35 and this position will expire worthless.
- We are long 20 Cisco Systems (CSCO) 30 calls that will expire in January 2023. CSCO closed Thursday at \$44.75. We paid \$10.52 apiece and they are currently valued at \$15.05. We have sold 10 45 calls and 10 46 calls that will expire in two weeks to pick up additional income along the way.
- We are long 30 Citibank (C) 30 calls that will expire in January 2023. C closed Thursday at \$61.66. We paid \$11.77 apiece and they are currently valued at \$21.35. We sold 30 60 calls that will expire in two weeks.

- We are short 80 Core Civic (CXW) 6 puts that will expire in February 2021. CXW closed at \$6.55 on Thursday. We received \$.24 apiece and they are currently valued at \$.40. We expect this position to expire worthless.
- We are short 30 Core Civix (CXW) 10 puts that will expire in March. We received \$3.88 apiece and they are currently valued at \$3.90.
- We are short 40 First Horizon Bank (FHN) 12 puts that will expire in February. FHN closed at \$12.76 on Thursday. We received \$.53 apiece and they are currently valued at \$1.00. We expect this position to expire worthless and would look to replicate this trade, should FHN remain around its current level of \$12.75.
- We are short 15 Leggett & Platt (LEG) 35 puts that will expire in March. LEG closed at \$44.30. We received \$1.03 apiece and they are currently valued at \$.85. We expect this position to expire worthless.
- We are short 15 Molson Coors (TAP) 30 puts that will expire in January. We received \$.68 apiece and given that TAP stands at \$45.19, we fully expect this position to expire worthless.
- We are short 12 Nucor (NUE) 40 puts that will expire in January. Nucor closed at \$53.19 on Thursday. We received \$.83 apiece and fully expect this position to expire worthless.
- We are short 6 Shake Shack (SHAK) 60 calls that will expire in March. We received \$29 apiece and they are currently valued at \$26.60. When we look at the charts, it appears that SHAK is “breaking down” and we fully expect that by the time of the next update, SHAK will be significantly lower than its latest close of \$84.78.
- We are short 10 Ventas (VTR) 57.50 calls that will expire in January. We received \$.43 apiece and the options are currently valued at \$.15. Ventas closed at \$49.04 on Thursday and this is another position that we expect will expire worthless in two weeks.

- We are short 45 Walgreen's Boots Alliance (WBA) 47.50 calls that will expire in January. WBA closed at \$39.88 on Thursday. We received \$.20 apiece and the options are currently valued at \$.13. This is another position that we expect will expire worthless in two weeks.

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Here is our outlook for 2021. We believe that the market will see neither significant appreciation – or depreciation – over the next 12 months. Valuations, according to historical norms, are very high. Yet because of the low interest rate environment and liquidity being pumped into the economy, there seems to be support for current price levels.

We continue to believe that dividend yield will assume greater and greater importance, and that will be the focus of our selections in the foreseeable future.